

**SOUTH O'BRIEN  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2005**



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2005  
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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**

**LIST OF PRINCIPAL OFFICIALS**

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**Board of Education (Before September 2004 Election)**

		Term Expires
Brad McDowell	President	2006
Gene McDaniel	Vice President	2004
Laura Lundquist	Board Member	2005
Bruce Billick	Board Member	2005
Bill Johannsen	Board Member	2006
Alice Haht	Board Member	2004
Phil Syndergaard	Board Member	2005
Sharla Rupert	Board Secretary	2004

**Board of Education (After September 2004 Election)**

Brad McDowell	President	2006
Laura Lundquist	Vice President	2005
Sharla Rupert	Board Secretary	2005
Bruce Billick	Board Member	2005
Phil Snydergaard	Board Member	2005
Bonnie Wallinga	Board Member	2007
Bill Johannsen	Board Member	2006
Sue McCauley	Board Member	2007

**School Officials**

Jerry Nichols	Superintendent	June, 2005
Julie Sampson	Secretary-Business Manager	July, 2005
Marty Weber	Treasurer	August, 2005





21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
South O'Brien Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the South O'Brien Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South O'Brien Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of South O'Brien Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005 on our consideration of the South O'Brien Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and all other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.





Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South O'Brien Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information, included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
August 12, 2005



## **Management Discussion and Analysis**

The South O'Brien Community District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. Readers are encouraged to consider this information in conjunction with the District's financial statements.

### **2005 FINANCIAL HIGHLIGHTS**

General fund revenues increased from \$5,979,209 in fiscal 2004 to \$5,992,627 in fiscal 2005, while General Fund expenditures increased from \$5,755,968 in fiscal year 2004 to \$5,781,719 in fiscal 2005. The District's General fund balance increased from \$870,118 in fiscal 2004 to \$1,081,026 in fiscal 2005 a 24% increase.

The increase in General fund revenue was attributable to an overall increase in state aid, miscellaneous income and federal grants in fiscal 2005. The minimal increase in expenditures was due primarily to reduced staffing, reducing transportation expenditures, and other related expenditures, as well as a reduction of the number of bus routes.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with comparison of District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Permanent Fund, and Debt Service Fund.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1  
South O'Brien Community School District  
Annual Financial Report

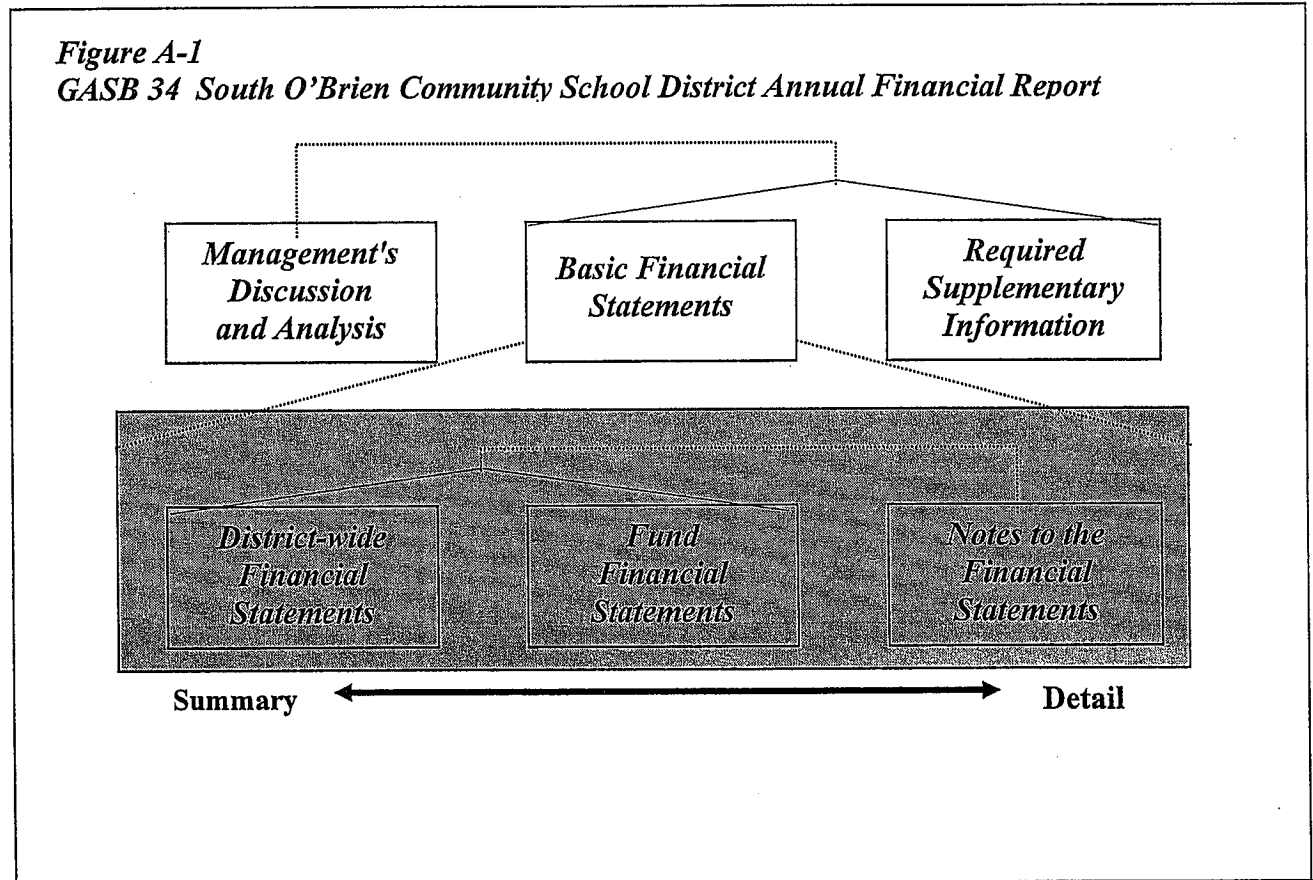


Figure A-2 below summarizes the major feature of the District's financial statements, including the position of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide financial statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the district's assets and liabilities) are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, you

need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: the District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, (such as repaying its long term debts), or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- Governmental funds: most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether these are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Permanent Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- Proprietary funds: services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's enterprise funds (one type of proprietary) are the same as its business-type activities but provide more detail and additional information; such as cash flows.

The District currently has one enterprise fund, the school nutrition fund.

The required financial statements for proprietary funds include a statement of revenue, expenses and change in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Current and other assets	\$6,123,551	\$8,285,944	\$ 23,986	\$ 38,218	\$6,147,537	\$8,324,162	35.4%
Capital assets	1,735,224	2,095,535	23,790	19,895	1,759,014	2,115,430	20.3%
Total Assets	7,858,775	10,381,479	47,776	58,113	7,906,551	10,439,592	32.0%
Current liabilities	3,674,816	3,683,998	8,311	10,026	3,674,816	3,694,024	.5%
Long-term liabilities	1,493,265	3,664,795	-	-	1,493,265	3,664,795	145.4%
Total Liabilities	5,168,081	7,348,793	8,311	10,026	5,176,392	7,358,819	42.2%
Net Assets							
invested in capital assets, net of related debt	1,735,224	(1,039,465)	23,790	19,895	1,759,014	(1,019,570)	(158.0%)
Restricted	127,049	3,149,623	-	-	127,049	3,149,623	2379.1%
Unrestricted	828,421	922,528	15,675	28,192	844,096	950,720	12.63%
Total Net Assets	\$2,690,694	\$3,032,686	\$ 39,465	\$ 48,087	\$2,730,159	\$3,080,773	12.84%

The District's combined net assets increased by nearly 13%, or approximately \$351,000, over the prior year. The largest portion of the District's net assets is the restricted net assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$3,022,600, or 2379.1% from the prior year. The increase was primarily a result of issuance of debt to finance the high school addition which was not all spent as of June 30, 2005.

Invested in capital assets, net of related debt decreased 158%, or approximately \$2,778,600, over the prior year. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The current year invested in capital assets, net of related debt is negative due to the fact that debt has been issued for the construction of the high school addition; however, the project is only partially completed as of June 30, 2005.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-increased approximately \$107,000 or 13%.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

Figure A-4  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Revenue:							
Program Revenue:							
Charges for Services	\$ 592,881	\$ 638,862	\$ 132,783	\$ 136,596	\$ 725,664	\$ 775,458	6.86%
Operating Grants and Contributions	583,713	531,355	129,670	131,441	713,383	662,796	(7.09%)
Capital Grants and Contributions	1,276	1,438	-	-	1,276	1,438	12.70%
General Revenues:							
Property Tax	3,370,295	3,272,645	-	-	3,370,295	3,272,645	(2.90%)
Local Option Sales and Service Tax	123,948	365,753	-	-	123,948	365,753	195.09%
Unrestricted State Grants	2,122,230	2,202,813	-	-	2,122,230	2,202,813	3.80%
Unrestricted Investment Earnings	18,864	103,852	-	-	18,864	103,852	450.53%
(Loss) on Disposal of Assets	-	(81,966)	-	-	-	(81,966)	(100%)
Use of Money and Property	3,540	3,213	31	440	3,571	3,653	2.30%
Other	24,512	15,380	547	512	25,059	15,892	(36.58%)
<b>TOTAL REVENUES</b>	<b>6,841,259</b>	<b>7,053,345</b>	<b>263,031</b>	<b>268,989</b>	<b>7,104,290</b>	<b>7,322,334</b>	<b>3.07%</b>
Program Expenses:							
Instruction	3,736,163	3,963,251	-	-	3,736,163	3,963,251	6.08%
Support Services	2,113,323	2,114,216	-	-	2,113,323	2,114,216	.04%
Non-Instructional Programs	-	-	230,048	260,367	230,048	260,367	13.18%
Other Expenses	630,520	633,886	-	-	630,520	633,886	.53%
<b>Total Expenses</b>	<b>6,480,006</b>	<b>6,711,353</b>	<b>230,048</b>	<b>260,367</b>	<b>6,710,054</b>	<b>6,971,720</b>	<b>3.90%</b>
<b>Change in Net Assets</b>	<b>\$ 361,253</b>	<b>\$ 341,992</b>	<b>\$ 32,983</b>	<b>\$ 8,622</b>	<b>\$ 394,236</b>	<b>\$ 350,614</b>	<b>(11.06%)</b>

Property tax, local option sales tax, and state grants account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

#### Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.



Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services		%	Net Cost of Services		%
	2004	2005	Change	2004	2005	Change
Instruction	\$3,736,163	\$3,963,251	6.08%	\$2,871,140	\$3,082,859	7.37%
Support Services	2,113,323	2,114,216	.04%	2,042,138	2,058,115	.78%
Other	630,520	633,886	.53%	388,858	398,724	2.54%
Total	\$6,480,006	\$6,711,353	3.57%	\$5,302,136	\$5,539,698	4.48%

- The cost financed by users of the District's programs was \$638,862.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$532,793.
- The net cost of governmental activities was financed with \$3,638,398 in property and other taxes and \$2,202,813 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$268,989 and expenses were \$260,367. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,235,499 above last year's ending fund balances of \$1,057,950. The increase is attributed to the sale of LOST revenue bonds and PPEL capital loan notes in fiscal 2005.

### Governmental Fund Highlights

- The General Fund balance increased from \$870,118 to \$1,081,026, due in part to a staff reduction due to classes being moved to a different center and residual effect of closed a school facility.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a deficit of \$24,936 in fiscal 2004 to a balance of \$1,485,517 in fiscal 2005. This balance includes revenue from the sale of capital loan notes in the amount of \$1,495,000. With the exception of the capital loan notes sale, the PPEL Fund had a closing deficit of \$14,761. This is a decrease in the closing balance between fiscal 2004 and fiscal 2005 of \$10,175.
- The Capital Projects LOST Fund balance increased from \$75,825 in fiscal 2004 to \$1,494,213 in fiscal 2005 is due to the sale of revenue bonds in the amount of \$1,740,000 to be used for the high school addition project.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$39,465 at June 30, 2004 to \$48,087 at June 30, 2005 due primarily to an increase of federal/state aid received.

## General Fund Budgeting Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutory prescribed procedure. The District's budget is prepared on the cash basis. During the year expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2005, the District had invested \$6,826,404 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see figure A-8). More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year equaled \$267,752.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District started a high school addition project that started in fiscal 2005 and has not yet been completed. Total costs incurred during fiscal 2005 were \$613,600. Buildings, Improvements other than Buildings, and Furniture and Equipment categories in the governmental activities decreased significantly as a result of the sale of the Sutherland school building.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Land	\$ 51,351	\$ 51,351	-	-	\$ 51,351	\$ 51,351	0.00%
Construction in Progress	-	613,600	-	-	-	613,600	100%
Buildings	3,922,602	3,360,190	-	-	3,922,602	3,360,190	(14.38%)
Improvements other than Buildings	275,140	120,585	-	-	275,140	120,585	(56.17%)
Furniture and Equipment	2,807,093	2,515,198	164,481	165,480	2,971,547	2,680,678	(9.79%)
Total	\$7,056,186	\$6,660,924	\$164,481	\$165,480	\$7,220,667	\$6,826,404	(5.46%)

### Long-Term Debt

At year-end, the District had \$45,811 in general fund loans, and \$92,000 in early retirement obligations, \$1,740,000 in general obligation capital loan notes, \$1,395,000 in revenue bonds, and \$8,984 in compensated absences. This is an increase of \$3,172,530 from the prior year. The increase is due to the issuance of \$1,740,000 general obligation capital loan notes and \$1,495,000 LOST revenue bonds to finance the high school addition projects. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

## **Economic Factors Bearing on District's Future**

At the time these financial statements were prepared, the District was aware of the following existing circumstances that could affect its financial health in the future.

- The enrollment declined by 29 students in the fall of 2005. The budget guarantee will be reduced by 10 percent. This will be reflected in the fiscal 2007 budget.
- There will be no new money for fiscal 2007. The expenditures for fiscal 2007 are projected to increase by \$225,000. This scenario will require critical review of utilization of staff for fiscal 2007.
- Reducing agricultural land valuation during fiscal 2004 negatively impacted our PPEL levy by approximately \$55,000 a year. Over a ten year period, PPEL receipts will be less by at least \$550,000.
- The board issued a cash reserve levy in the amount of \$200,000. This was to offset a fiscal 2005 special education deficit of \$202,137.
- During fiscal 2004 and 2005, receipts in the General Fund were greater than expenditures. This is the result of closing a facility, reducing bus routes and moving the junior high from Primghar to Paullina.

### **Contacting the District's Financial Manager**

This financial report is designed to provide the District's patrons, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the revenue it receives. If you have questions about this report or need additional financial information, contact Jerry Nichols, Supt. or Julie Sampson, School Business Affairs, South O'Brien Community School District, 206 S. Rutledge St., Paullina, Iowa.

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,576,059	\$ 29,455	\$ 4,605,514
Receivables:			
Property Tax	58,222		58,222
Succeeding Year Property Tax	2,827,233		2,827,233
Accrued Interest	55		55
Accounts	38,121	24	38,145
Due from Other Governments	98,333		98,333
Restricted Assets:			
ISCAP Investments	384,697		384,697
Bankers Trust Reserve	175,823		175,823
Bankers Trust Debt Service	113,710		113,710
Inventories	3,943	8,739	12,682
Bond Issue Costs	9,748		9,748
Land	51,351		51,351
Construction in Progress	613,600		613,600
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,430,584	19,895	1,450,479
Total Assets	10,381,479	58,113	10,439,592
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	317,324	2,001	319,325
Salaries and Benefits Payable	494,580	8,025	502,605
Accrued Interest Payable	39,717		39,717
Deferred Revenue - Succeeding Year Taxes	2,827,233		2,827,233
ISCAP Unamortized Premium	5,144		5,144
Noncurrent Liabilities:			
Debt Due Within One Year:			
Compensated Absences	8,984		8,984
ISCAP Warrants Payable	383,000		383,000
Notes Payable	11,454		11,454
Bonds Payable	165,000		165,000
General Obligation Capital Loan Notes Payable	155,000		155,000
Early Retirement Payable	12,000		12,000
Due in More Than One Year:			
Notes Payable	34,357		34,357
Bonds Payable	1,575,000		1,575,000
General Obligation Capital Loan Notes Payable	1,240,000		1,240,000
Early Retirement Payable	80,000		80,000
Total Liabilities	7,348,793	10,026	7,358,819
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	(1,039,465)	19,895	(1,019,570)
Restricted for:			
Physical Plant and Equipment Levy	1,485,517		1,485,517
Management Levy	122,300		122,300
Capital Projects	1,494,213		1,494,213
Other Special Revenue Purposes	41,463		41,463
Unrestricted	928,658	28,192	956,850
Total Net Assets	\$ 3,032,686	\$ 48,087	\$ 3,080,773

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants Contributions
<b>Governmental Activities:</b>			
Instruction:			
Regular Instruction	\$ 2,396,581	\$ 143,860	\$ 278,005
Special Instruction	1,017,285	60,209	45,788
Other Instruction	549,385	188,732	162,360
Support Services:			
Student Services	274,448		
Instructional Staff Services	399,147		
Administration Services	582,987		
Operation and Maintenance	486,453	3,800	
Transportation Services	371,181	7,099	45,202
Other Expenditures:			
Facilities Acquisition and Construction Services	298,045		
Long-term Debt Interest	100,679		
AEA Flowthrough	235,162	235,162	
Total governmental activities	<u>6,711,353</u>	<u>638,862</u>	<u>531,355</u>
<b>Business Type Activities</b>			
Non-instructional Programs			
Food Service Operations	<u>260,367</u>	<u>136,596</u>	<u>131,441</u>
<b>Total</b>	<u><u>\$ 6,971,720</u></u>	<u><u>\$ 775,458</u></u>	<u><u>\$ 662,796</u></u>
<b>General Revenues:</b>			
Property Tax Levied For:			
General Purposes			
Local Option Sales Tax			
Unrestricted State Grants			
Unrestricted Investment Earnings			
Use of Money and Property			
Other			
(Loss) on Disposal of Fixed Assets			
<b>Total general revenues</b>			
Change in net assets			
<b>Net assets - beginning</b>			
<b>Net assets - ending</b>			

See Accompanying Notes to Financial Statements

Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
	Capital Grants Contributions	Governmental Activities	Business Type Activity
			Total
		\$ (1,974,716)	\$ (1,974,716)
		(911,288)	(911,288)
\$ 1,438		(196,855)	(196,855)
		(274,448)	(274,448)
		(399,147)	(399,147)
		(582,987)	(582,987)
		(482,653)	(482,653)
		(318,880)	(318,880)
		(298,045)	(298,045)
		(100,679)	(100,679)
	1,438	(5,539,698)	(5,539,698)
		\$ 7,670	7,670
\$ 1,438	(5,539,698)	7,670	(5,532,028)
	3,272,645		3,272,645
	365,753		365,753
	2,202,813		2,202,813
	103,852		103,852
	3,213	440	3,653
	15,380	512	15,892
	(81,966)		(81,966)
	5,881,690	952	5,882,642
	341,992	8,622	350,614
	2,690,694	39,465	2,730,159
\$	3,032,686	\$ 48,087	\$ 3,080,773

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2005**

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Pooled Investments	\$ 1,458,322	\$ 1,437,866	\$ 1,494,904	\$ 184,967	\$ 4,576,059
Receivables:					
Property Tax	49,864		5,508	2,850	58,222
Succeeding Year Property Tax	2,468,048		294,753	64,432	2,827,233
Accrued Interest				55	55
Accounts	2,150	33,440		2,531	38,121
Due from Other Funds	14,761				14,761
Due from Other Governments	98,333				98,333
Restricted Assets:					
ISCAP Investments	384,697				384,697
Bankers Trust Reserve		175,823			175,823
Bankers Trust Debt Service		113,710			113,710
Inventories	3,673			270	3,943
<b>Total Assets</b>	<b>4,479,848</b>	<b>1,760,839</b>	<b>1,795,165</b>	<b>255,105</b>	<b>8,290,957</b>
<b>Liabilities and Equity</b>					
Liabilities:					
Accounts Payable and Accrued Liabilities	46,837	266,626		3,861	317,324
Due to Other Funds			14,761		14,761
Salaries and Benefits Payable	494,580				494,580
Early Retirement Payable				12,000	12,000
Unearned Revenue	1,213		134	69	1,416
Deferred Revenue - Succeeding Year Taxes	2,468,048		294,753	64,432	2,827,233
ISCAP Unamortized Premium	5,144				5,144
ISCAP Warrants Payable	383,000				383,000
<b>Total Liabilities</b>	<b>3,398,822</b>	<b>266,626</b>	<b>309,648</b>	<b>80,362</b>	<b>4,055,458</b>
Fund Balances:					
Reserved for:					
Scholarships				2,535	2,535
Inventory	3,673			270	3,943
Unreserved for:					
General Fund	1,077,353				1,077,353
Special Revenue Fund			1,485,517	171,938	1,657,455
Capital Project Fund		1,494,213			1,494,213
<b>Total Fund Balances</b>	<b>1,081,026</b>	<b>1,494,213</b>	<b>1,485,517</b>	<b>174,743</b>	<b>4,235,499</b>
<b>Total Liabilities and Equity</b>	<b>\$ 4,479,848</b>	<b>\$ 1,760,839</b>	<b>\$ 1,795,165</b>	<b>\$ 255,105</b>	<b>\$ 8,290,957</b>

See Accompanying Notes to Financial Statements



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
For the Year Ended June 30, 2005**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 4,235,499
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,095,535
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(39,717)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources	9,748
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	1,416
Long-term liabilities, including notes payable, bonds payable, early retirement payable, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,269,795)</u>
Total Net Assets - Governmental Activities (page 13)	<u>\$ 3,032,686</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>					
Local Sources:					
Local Tax	\$ 2,745,648	\$ 365,753	\$ 377,655	\$ 149,814	\$ 3,638,870
Tuition	104,325				104,325
Other	92,301	26,560	28,183	204,508	351,552
Intermediate Sources	56,155				56,155
State Sources	2,669,345		240	122	2,669,707
Federal Sources	324,853				324,853
Total Revenue	5,992,627	392,313	406,078	354,444	7,145,462
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular Instruction	2,292,585			11,616	2,304,201
Special Instruction	1,017,285				1,017,285
Other Instruction	350,799			195,209	546,008
Support Services:					
Student Services	261,292			13,157	274,449
Instructional Staff Services	388,374				388,374
Administration Services	495,463		19,093	68,659	583,215
Operation and Maintenance	480,195				480,195
Transportation Services	260,564			28,003	288,567
Other Expenditures:					
Facilities Acquisition and Construction Services		688,115	226,239		914,354
Long-term Debt:					
Principal			11,454	100,000	111,454
Interest and Fiscal Charges		5,351	3,722	42,526	51,599
AEA Flowthrough	235,162				235,162
Total Expenditures	5,781,719	693,466	260,508	459,170	7,194,863
Excess of Revenues Over Expenditures	210,908	(301,153)	145,570	(104,726)	(49,401)
Other Financing Sources (Uses):					
Transfers In				142,526	142,526
Transfers Out		(20,459)	(122,067)		(142,526)
Proceeds from Issuance of Long-Term Debt		1,740,000	1,495,000		3,235,000
Discounts from Issuance of Long-Term Debt			(8,050)		(8,050)
Total Other Financing Sources (Uses)		1,719,541	1,364,883	142,526	3,226,950
Net Change in Fund Balances	210,908	1,418,388	1,510,453	37,800	3,177,549
Fund Balances (Deficits) - Beginning of Year	870,118	75,825	(24,936)	136,943	1,057,950
Fund Balances - End of Year	\$ 1,081,026	\$ 1,494,213	\$ 1,485,517	\$ 174,743	\$ 4,235,499

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18) \$ 3,177,549

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 714,813	
Depreciation expense	<u>(262,858)</u>	451,955

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities (91,643)

Accrued interest expense that does not require current financial resources (36,616)

Accrued compensated absences not reported on the modified accrual basis (8,984)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement (36,000)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities 9,748

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues (471)

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt was as follows:

LOST revenue bonds	(1,740,000)	
G.O. capital loan notes	<u>(1,495,000)</u>	(3,235,000)

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Capital Loan Notes Payable	100,000	
Notes Payable	<u>11,454</u>	111,454

Change in net assets of governmental activities (page 15) \$ 341,992

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2005**

	Business Type Activity School Nutrition Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Pooled Investments	\$ 29,455
Accounts Receivable	24
Inventories	8,739
Total Current Assets	<u>38,218</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>19,895</u>
Total Noncurrent Assets	<u>19,895</u>
Total Assets	<u>58,113</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	2,001
Salaries and Benefits Payable	8,025
Total Liabilities	<u>10,026</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	19,895
Unrestricted	28,192
Total Net Assets	<u>\$ 48,087</u>

See Accompanying Notes to Financial Statements

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

	Business Type Activity School Nutrition Fund
Operating Revenues:	
Local Sources:	
Charges for Services	\$ 136,596
Miscellaneous	512
Total Operating Revenue	137,108
Operating Expenditures:	
Non-instructional programs:	
Food Service Operations:	
Salaries	69,545
Benefits	28,850
Services	2,235
Supplies	154,665
Other	178
Depreciation	4,894
Total Operating Expenses	260,367
Operating (Loss)	(123,259)
Non-Operating Revenues :	
Interest Income	440
State Lunch Reimbursements	3,796
National School Lunch Program	92,986
Federal Food Commodities Received	34,659
Total Non-Operating Revenues	131,881
Change in Net Assets	8,622
Net Assets Beginning of Year	39,465
Net Assets End of Year	\$ 48,087

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<b>Business Type Activity School Nutrition Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sale of Lunches and Breakfasts	\$ 136,801
Cash Received from Miscellaneous Operating Activities	512
Cash Paid for Employees for Services	(98,615)
Cash Paid to Suppliers for Goods and Services	(116,998)
Total Cash Used by Operating Activities	<u>(78,300)</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>	
Acquisition of Capital Assets	<u>(1,000)</u>
<b>Cash Flows from Non-Capital &amp; Related Financing Activities:</b>	
State Grants Received	3,796
Federal Grants Received	92,986
Total Cash Provided by Non-Capital & Related Financing Activities	<u>96,782</u>
<b>Cash flows from Investing Activities:</b>	
Interest on Investments	440
Net Increase in Cash and Cash Equivalents	17,922
Cash and Cash Equivalents at Beginning of Year	<u>11,533</u>
Cash and Cash Equivalents at End of year	<u><u>29,455</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:</b>	
Operating (Loss)	(123,259)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation Expense	4,894
Commodities Used	38,947
(Increase) decrease in assets and increase (decrease) in liabilities:	
Purchased Inventories	(804)
Accounts Receivable	205
Salaries and Benefits Payable	(220)
Accounts Payable	1,937
Net Cash (Used) in operating activities	<u>\$ (78,300)</u>
<b>Non-Cash Investing, Capital and Financing Activities</b>	
Federal food commodities received	<u>\$ 34,659</u>

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South O'Brien Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Paullina, Primghar and Sutherland, Iowa, and the predominate agricultural territory in O'Brien, Cherokee, and Clay Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, South O'Brien Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. In June, 2002, the District established the South O'Brien Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the South O'Brien Community School District as a component unit for the year ended June 30, 2005. The Foundation has elected a December 31, fiscal year-end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2004.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

**B. Basic Financial Statements- Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service, permanent, and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Financial Statements**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

**GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Project Fund accounts for all resources used in the acquisition and construction of capital facilities.

Permanent Fund – The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, can be used for awarded scholarships.

**PROPRIETARY FUND TYPES**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund. The General Fund is always considered to be a major fund.

Capital Project LOST – To account for the collection of a 1% school local sales and services tax to be expended for school infrastructure and property tax relief.

Physical Plant and Equipment Levy – To account for regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in purchase of equipment and repairing and improving schoolhouse building and grounds.

The District reports the following major enterprise funds:

School Nutrition – Accounts for the food service operations of the District.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting/Measurement Focus**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**E. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Items – Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$500 for governmental capital assets and school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Land Improvements	15-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 2 – CASH AND POOLED INVESTMENTS – (CONTINUED)**

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows::

Guaranteed Interest Contract	<u>\$ 384,697</u>
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investors Service.

**NOTE 3 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer From	Transfer To	Amount
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	\$ 122,067
Capital Project LOST	Debt Service	<u>20,459</u>
Total		<u>\$ 142,526</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)**

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	06/30/05	06/30/06	\$ 384,697	-	\$ 383,000	-
			<u>\$ 384,697</u>	<u>-</u>	<u>\$ 383,000</u>	<u>-</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	3.500%	3.903%

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,351	-	-	\$ 51,351
Construction in Progress	-	\$ 613,600	-	613,600
Total capital assets not being depreciated	51,351	613,600	-	664,951
Capital assets being depreciated:				
Buildings	3,922,602	-	\$ 562,412	3,360,190
Improvements other than buildings	275,140	-	154,555	120,585
Furniture and equipment	2,807,093	101,213	393,108	2,515,198
Total capital assets being depreciated	7,004,835	101,213	1,110,075	5,995,973
Less: Accumulated Depreciation for:				
Buildings	2,858,710	72,868	489,200	2,442,378
Improvements other than buildings	267,628	5,682	152,725	120,585
Furniture and equipment	2,194,624	184,308	376,506	2,001,370
Total Accumulated Depreciation	5,320,962	262,858	1,018,431	4,565,389
Total capital assets being depreciated, net	1,683,873	(160,589)	91,644	1,430,584
Governmental activities capital assets, net	\$ 1,735,224	\$ 453,011	\$ 91,644	\$ 2,095,535

Construction in progress at June 30, 2005 for the governmental activities consisted of costs associated with the high school addition and remodel project.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 164,481	\$ 999	-	\$ 165,480
Less: Accumulated Deprecation	140,691	4,894	-	145,585
Business-type activities capital assets, net	\$ 23,790	\$ (3,894)	-	\$ 19,895

Depreciation expenses was charged to the functions of the as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 89,235
Other Instruction	6,473
Instructional Staff Services	78,008
Administration Services	270
Operation and Maintenance	6,258
Transportation Services	82,614
Total depreciation expenses – governmental activities	<u>\$ 262,858</u>
<b>Business-type activities:</b>	
Food Service Operations	<u>\$ 4,894</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

**Reconciliation of Investment in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 51,351	-
Construction in Progress	613,600	-
Capital Assets (net of accumulated depreciation)	1,430,584	\$ 19,895
Less: Bonds Payable	(1,740,000)	-
Capital Loan Notes Payable	(1,395,000)	-
Investment in Capital Assets, Net of Related Debt	<u>\$ (1,039,465)</u>	<u>\$ 19,895</u>

**NOTE 6 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General Obligation Capital					
Loan Notes	-	\$ 1,740,000	-	\$ 1,740,000	\$ 165,000
LOST Revenue Bonds	-	1,495,000	\$ 100,000	1,395,000	155,000
Notes Payable	\$ 57,265	-	11,454	45,811	11,454
Early Retirement	52,000	48,000	8,000	92,000	12,000
Compensated Absences	-	8,984	-	8,984	8,984
Total	<u>\$ 109,265</u>	<u>\$ 3,291,984</u>	<u>\$ 119,454</u>	<u>\$ 3,281,795</u>	<u>\$ 352,438</u>

**General Obligation Capital Loan Notes**

On September 9, 2004, the District issued \$1,000,000 general obligation capital loan notes with an interest rate of 1.650%-3.650% to provide funds for capital improvements. On April 1, 2005, the District issued \$495,000 general obligation capital loan notes with an interest rate of 3.100%-4.600% to provide funds for capital improvements.

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

	<b>\$495,000 Capital Loan Notes</b>		<b>\$1,000,000 Capital Loan Notes</b>		<b>Total</b>	
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 55,000	\$ 22,009	\$ 100,000	\$ 27,240	\$ 155,000	\$ 49,249
2007	60,000	16,335	105,000	25,190	165,000	41,525
2008	60,000	13,575	105,000	22,670	165,000	36,245
2009	60,000	10,815	110,000	19,888	170,000	30,703
2010	60,000	8,955	115,000	16,643	175,000	25,598
2011-2013	200,000	14,320	365,000	26,348	565,000	40,668
Total	<u>\$ 495,000</u>	<u>\$ 86,009</u>	<u>\$ 900,000</u>	<u>\$ 137,979</u>	<u>\$1,395,000</u>	<u>\$ 223,988</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

**Revenue Bonds**

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
2. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
3. Any monies remaining must be used to pay or redeem the Bonds.

The District was in compliance with all of the provisions during the year ended June 30, 2005.

Revenue bonds as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities - 2004	2.500%-4.050%	<u>\$ 1,740,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Governmental Activities</u>		
<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 165,000	\$ 61,548
2007	170,000	57,423
2008	180,000	52,323
2009	185,000	46,473
2010	190,000	39,998
2011-2014	850,000	84,855
Total	<u>\$1,740,000</u>	<u>\$ 342,620</u>

**Notes Payable**

Detail of the District's June 30, 2005 Special Assessments debt with O'Brien County are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,453	\$ 2,886	\$ 14,339
2007	11,453	2,165	13,618
2008	11,453	1,443	12,896
2009	11,453	721	12,175
Total	<u>\$ 45,811</u>	<u>\$ 7,215</u>	<u>\$ 53,027</u>



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of 55 and 64 and have completed at least 20 years of service in the District. Employees must complete an application at least one full year in advance, and it is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a maximum of one-half of one percent of the employee's current teaching salary as a base salary which is multiplied by the number of years of service the employee has rendered to the District. This total amount shall be in addition to the amount provided for salary in the contract for the final year of employment. Early retirement benefits paid during the year ended June 30, 2005 totaled \$10,243. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue Management Levy Fund in the fund's financial statements.

The non-current portion of the early retirement to recorded in the government-wide financial statements.

**NOTE 7 – INTERFUND RECEIVABLES & PAYABLES**

As of June 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	PPEL	\$ <u>14,761</u>

**NOTE 8 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$187,893, \$191,415, and \$195,681 respectively, equal to the required contributions for each year.

**NOTE 9 – RISK MANAGEMENT**

South O'Brien Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$235,162 for the year ended June 30, 2005 and is recorded in the General Fund.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 11 – CONSTRUCTION COMMITMENTS**

The District has entered into various construction contracts totaling \$2,989,419 for the high school addition. At June 30, 2005, \$613,600 of work had been incurred against the contracts. The balance of \$2,379,553 will be paid as work on the projects progress.

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CASH BASIS)-**  
**For the Year Ended June 30, 2005**

	General Fund			
	Budgeted Amounts		Actual	Variance with budget Favorable (Unfavorable)
	Original	Amended		
Receipts:				
Local Sources:				
Local Tax	\$ 2,740,904	\$ 2,740,904	\$ 2,739,712	\$ (1,192)
Tuition	185,000	185,000	96,159	(88,841)
Other	73,000	73,000	127,475	54,475
Intermediate Sources	49,500	49,500	56,155	6,655
State Sources	2,678,830	2,678,830	2,656,344	(22,486)
Federal Sources	280,218	280,218	329,597	49,379
Total Revenues	<u>6,007,452</u>	<u>6,007,452</u>	<u>6,005,442</u>	<u>(2,010)</u>
Expenditures:				
Current:				
Instruction	3,800,000	3,800,000	3,608,581	191,419
Support Services	2,065,000	2,065,000	1,890,154	174,846
Other Expenditures	255,371	255,371	235,162	20,209
Total Expenditures	<u>6,120,371</u>	<u>6,120,371</u>	<u>5,733,897</u>	<u>386,474</u>
Excess (Deficiency) of Revenues Over Expenditures	(112,919)	(112,919)	271,545	(388,484)
Other Financing Sources (Uses):				
Transfers Out				
Proceeds from the issuance of long term debt				
Discount on the issuance of long term debt				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net Change in Fund Balances	(112,919)	(112,919)	271,545	
Fund Balance/Retained Earnings Beginning of Year	<u>1,201,543</u>	<u>1,201,543</u>	<u>1,201,543</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 1,088,624</u>	<u>\$ 1,088,624</u>	<u>\$ 1,473,088</u>	

Physical Plant and Equipment Levy			
Budgeted Amounts		Actual	Variance with budget Favorable (Unfavorable)
Original	Amended		
\$ 373,221	\$ 373,221	\$ 377,793	\$ 4,572
		28,183	28,183
		240	240
<u>373,221</u>	<u>373,221</u>	<u>406,216</u>	<u>32,995</u>
<u>371,797</u>	<u>371,797</u>	<u>269,933</u>	<u>101,864</u>
<u>371,797</u>	<u>371,797</u>	<u>269,933</u>	<u>101,864</u>
1,424	1,424	136,283	(68,869)
		(122,067)	(122,067)
		1,495,000	1,495,000
		(8,050)	(8,050)
<u>-</u>	<u>-</u>	<u>1,364,883</u>	<u>1,364,883</u>
1,424	1,424	1,501,166	1,296,014
<u>(21,023)</u>	<u>(21,023)</u>	<u>(21,023)</u>	
<u>\$ (19,599)</u>	<u>\$ (19,599)</u>	<u>\$ 1,480,143</u>	<u>\$ 1,296,014</u>

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the fiscal year 2005, there was one budget amendment increasing budgeted disbursements by \$418,484.

The following schedule demonstrates the District's legal compliance to the budget.

<b>Function</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Cash Basis)</b>	<b>Variance Favorable (Unfavorable)</b>
Instruction	\$ 4,062,350	\$ 4,062,350	\$ 3,768,501	\$ 293,849
Support Services	2,174,000	2,174,000	1,970,767	203,233
Non-instructional Programs	284,354	284,354	215,334	69,020
Other Expenditures	1,081,516	1,500,000	1,171,245	328,755
	<u>\$ 7,602,220</u>	<u>\$ 8,020,704</u>	<u>\$ 7,125,847</u>	<u>\$ 894,857</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2004-2005 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

<b>Governmental Fund Types</b>			
	<b>General</b>		<b>Modified Accrual Basis</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	
Revenues	\$ 6,005,442	\$ (12,815)	\$ 5,992,627
Expenditures	5,692,158	89,561	5,781,719
Net	313,284	(102,376)	210,908
Beginning Fund Balance	1,201,543	331,425	870,118
Ending Fund Balance	<u>\$ 1,514,827</u>	<u>\$ (433,801)</u>	<u>\$ 1,081,026</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

**Governmental Fund Types**

	<b>Capital Project LOST</b>		<b>Modified</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 387,481	\$ 4,832	\$ 392,313
Expenditures	495,622	197,844	693,466
Net	(108,141)	(193,012)	(301,153)
Other Financing Sources, Net	1,719,541	-	1,719,541
Beginning Fund Balance	95,541	19,716	75,825
Ending Fund Balance	<u>\$ 1,719,541</u>	<u>\$ (212,728)</u>	<u>\$ 1,494,213</u>

**Governmental Fund Types**

	<b>Physical Plant and Equipment Levy</b>		<b>Modified</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$406,216	\$ (138)	\$ 406,078
Expenditures	269,932	(9,424)	260,508
Net	136,284	9,286	145,570
Other Financing Sources, Net	1,364,883	-	1,364,883
Beginning Fund Balance	(21,023)	(3,913)	(24,936)
Ending Fund Balance	<u>\$ 1,364,883</u>	<u>\$ 5,373</u>	<u>\$ 1,485,517</u>

**Governmental Fund Types**

	<b>Non Major Funds</b>		<b>Modified</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 350,700	\$ 3,744	\$ 354,444
Expenditures	452,801	(6,369)	459,170
Net	(102,101)	(2,625)	(104,726)
Other Financing Sources, Net	142,526	-	142,526
Beginning Fund Balance	144,494	(7,551)	136,943
Ending Fund Balance	<u>\$ 184,919</u>	<u>\$ (10,176)</u>	<u>\$ 174,743</u>



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

<u>Governmental Fund Types</u>			
	<u>Totals</u>		<u>Modified</u>
	<u>Cash Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Accrual</u> <u>Basis</u>
Revenues	\$ 7,149,839	\$ (4,377)	\$ 7,145,462
Expenditures	6,910,513	(284,350)	7,194,863
Net	239,326	(288,727)	(49,401)
Other Financing Sources, Net	3,226,950	-	3,226,950
Beginning Fund Balance	1,421,202	(363,252)	1,057,950
Ending Fund Balance	<u>\$ 4,887,478</u>	<u>\$ (651,979)</u>	<u>\$ 4,235,499</u>

<u>Proprietary Fund Type</u>			
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Accrual</u> <u>Basis</u>
Revenues	\$ 238,305	\$ 30,684	\$ 268,989
Expenses	215,334	(45,035)	260,367
Net	22,971	(14,351)	8,622
Beginning Net Assets	11,533	27,932	39,465
Ending Net Assets	<u>\$ 34,504</u>	<u>\$ 13,581</u>	<u>\$ 48,087</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2005**

Schedule 1

**Revenues:**

**Local Sources:**

**Local Tax:**

Property Tax	\$ 2,620,742
Mobile Home Tax	107
Surtax	124,799
	<u>2,745,648</u>

**Other Local Sources:**

Interest on Investments	46,756
Tuition from Other Districts	104,325
Rent	7,013
Miscellaneous	38,532
	<u>196,626</u>
	<u>2,942,274</u>

**Intermediate Sources:**

Services Provided AEA	<u>56,155</u>
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**State Sources:**

Foundation Aid-District's Share	2,139,544
Foster Care State Aid	3,742
Instructional Support State Aid	15,893
Beginning Teacher Induction	2,600
Teachers Compensation Allocation	60,483
Educational Excellence Program:	
Phase I	59,186
Phase II	57,448
Non-Public Transportation Aid	45,202
Non-Public Textbook Aid	1,116
Revenue in Lieu of Taxes - Military Credit	2,125
Vocational Education Aid	8,473
Iowa Early Intervention Block Grant	38,371
AEA Flow-Through	235,162
	<u>2,669,345</u>

**Federal Sources:**

Title I Grants to Local Educational Agencies	134,429
Class Size Reduction	44,088
Medical Assistance Program	23,791
Grants for State Assessments & Related Activities (Title VI A Program)	4,200
Schoolwide Positive Behavior Support Grant	3,134
Comprehensive School Reform Grant	50,000
Fund for the Improvement of Education	1,438
Safe and Drug-Free Schools and Communities-States Grants	6,138
Innovative Education Program Strategies (Title VI Program)	2,777
Vocational Education - Basic Grants to States	12,204
Special Education - Grants to States	42,654
	<u>324,853</u>

**Total Revenue**

**\$ 5,992,627**

Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**For the Year Ended June 30, 2005**

Schedule 1 (Continued)

**Expenditures:**

**Instruction:**

Regular Instruction:

Salaries	\$ 1,528,349
Benefits	391,331
Services	269,030
Supplies	90,562
Property	9,316
Other	3,997
	<u>2,292,585</u>

Special Education Instruction:

Salaries	443,672
Benefits	128,367
Services	441,201
Supplies	3,766
Property	279
	<u>1,017,285</u>

Vocational Instruction:

Salaries	156,553
Benefits	41,175
Services	477
Supplies	8,048
Property	12,646
	<u>218,899</u>

Co-Curricular Program Instruction:

Salaries	122,699
Benefits	190
Services	4,706
Supplies	287
Property	2,655
	<u>130,537</u>

Nonpublic Instruction:

Supplies	<u>1,363</u>
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**Total Instruction**

3,660,669

**Support Services**

**Student Services:**

Guidance Services:

Salaries	172,677
Benefits	43,980
Services	5,779
Supplies	8,558
	<u>230,994</u>

Health Services:

Salaries	17,309
Benefits	5,619
Services	2,027
Supplies	5,243
Property	100
	<u>30,298</u>

**Total Student Services**

\$ 261,292

Continued

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
Statement of Revenue, Expenditures and Changes in Fund Balance  
General Fund - Continued  
For the Year Ended June 30, 2005

Schedule 1 (Continued)

Expenditures (Continued):

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction:

Salaries	\$ 110,175
Benefits	54,137
Services	42,262
Supplies	33,969
Property	59,035
	<u>299,578</u>

Library/Media Services:

Salaries	60,454
Benefits	17,503
Services	225
Supplies	10,570
Property	44
	<u>88,796</u>

**Total Instructional Staff Services**

388,374

**Administration Services:**

Board of Education Services:

Services	57,789
Supplies	1,959
Other	45
	<u>59,793</u>

Executive Administration Services:

Salaries	95,995
Benefits	24,987
Services	14,641
Supplies	3,510
Property	239
	<u>139,372</u>

Building Administration

Salaries	159,743
Benefits	55,325
Services	8,207
Supplies	3,503
Other	2,858
	<u>229,636</u>

Business Administration

Salaries	31,277
Benefits	38,495
Services	3,805
Supplies	1,396
Property	130

Iowa School Cash Anticipation Program:

Interest	(8,696)
Issuance Cost	255
	<u>66,662</u>

**Total Administration Services**

\$ 495,463

Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**For the Year Ended June 30, 2005**

Schedule 1 (Continued)

**Expenditures (Continued):**

**Support Services:**

**Plant Operation and Maintenance:**

Salaries	190,541
Benefits	94,547
Services	41,701
Supplies	146,445
Property	6,961
	<u>480,195</u>

**Student Transportation:**

Salaries	137,833
Benefits	34,510
Services	23,219
Supplies	63,581
Other	1,421
	<u>260,564</u>
	<u>1,885,888</u>

**Total Support Services**

**Other Expenditures:**

AEA Flow-Through	<u>235,162</u>
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**Total Expenditures**

5,781,719

**Excess of Revenues Over Expenditures**

210,908

**Fund Balance Beginning of Year**

870,118

**Fund Balance End of Year**

\$ 1,081,026

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 June 30, 2005

Special Revenue Funds			
	Management Levy	Student Activity	Ray Ginger Scholarship
<b>Assets</b>			
Cash and Pooled Investments	\$ 131,519	\$ 42,479	\$ 2,315
Receivables:			
Property Tax	2,850		
Succeeding Year Property Tax	50,000		
Accrued Interest		44	
Accounts		2,531	
Inventory		270	
Total Assets	184,369	45,324	2,315
<b>Liabilities and Equity</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities		3,861	
Early Retirement Payable	12,000		
Unearned Revenue	69		
Deferred Revenue - Succeeding Year			
Property Taxes	50,000		
Total Liabilities	62,069	3,861	
<b>Fund Balances:</b>			
Reserved for:			
Scholarships			
Inventory		270	
Unreserved for:			
Special Revenue Fund	122,300	41,193	2,315
Total Fund Balances	122,300	41,463	2,315
Total Liabilities and Equity	\$ 184,369	\$ 45,324	\$ 2,315

## Schedule 2

Special Revenue Fund		Permanent Fund			
Foundation		Dell Scholarship		Debt Service Fund	Total
\$ 6,130		\$ 2,524			\$ 184,967
					2,850
				\$ 14,432	64,432
		11			55
					2,531
					270
6,130		2,535		14,432	255,105
					3,861
					12,000
					69
				14,432	64,432
				14,432	80,362
					2,535
					270
6,130					171,938
6,130		2,535		-	174,743
\$ 6,130	\$	2,535	\$	-	\$ 255,105

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 Governmental Nonmajor Funds  
 For the Year Ended June 30, 2005

	Special Revenue Funds		
	Management Levy	Student Activity	Ray Ginger Memorial
Revenue:			
Local Sources:			
Local Tax	\$ 149,814		
Other	1,533	\$ 188,732	\$ 9
State Sources	122		
Total Revenue	151,469	188,732	9
Expenditures:			
Current:			
Instruction:			
Regular Instruction	11,616		
Other Instruction		195,209	
Support Services:			
Student Services			
Administration Services	68,659		
Transportation Services	28,003		
Other Expenditures:			
Long-term Debt:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	108,278	195,209	
Excess(Deficiency) of Revenues Over Expenditures	43,191	(6,477)	9
Other Financing Sources (Uses):			
Transfers In			
Net Change in Fund Balances	43,191	(6,477)	9
Fund Balances - Beginning of Year	79,109	47,940	2,306
Fund Balances - End of Year	\$ 122,300	\$ 41,463	\$ 2,315



## Schedule 3

Special Revenue Fund		Permanent Fund			
Foundation		Dell Scholarship		Debt Service	Total
					\$ 149,814
\$ 14,187		\$ 47			204,508
					122
14,187		47			354,444
					11,616
					195,209
13,007		150			13,157
					68,659
					28,003
				\$ 100,000	100,000
				42,526	42,526
13,007		150		142,526	459,170
1,180		(103)		(142,526)	(104,726)
				142,526	142,526
1,180		(103)		-	37,800
4,950		2,638		-	136,943
\$ 6,130		\$ 2,535		\$ -	\$ 174,743

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Accounts**  
**For the Year Ended June 30, 2005**

				Schedule 4
	Balance			Balance
	June 30,	Revenues	Expenditures	June 30,
	2004			2005
General Athletics	(3,474)	\$ 57,664	\$ 55,084	\$ (894)
Weight Room Club	500	5,000	5,307	193
HS Football Club	2,158		1,375	783
Bowling Club-Scholarship		150		150
HS General Athletics Resale	996	460	650	806
HS Student Council	1,127	3,033	3,961	199
FFA	6,267	34,840	36,417	4,690
Spanish Club	663		186	477
HS Cheerleaders	815	7,961	7,490	1,286
HS Science Club	213	501	499	215
National Honor Society	566	295	381	480
Model Un Club		1,053	565	488
HS Marketing Club	623			623
HS Art Club	220	653	841	32
Dinner Theater Club	4,737	3,540	3,747	4,530
HS Industrial Arts Club	505			505
HS Instrumental Music Resale	(2,076)	870	783	(1,989)
HS Vocal Music Resale	214	2,142	1,898	458
Renaissance	1,094			1,094
Yearbook Club	15,902	11,244	11,312	15,834
HS Speech Club	228	820	475	573
JH Student Council	6,016	6,528	7,397	5,147
HS Activity		11,976	11,882	94
EI Student Council	3,563	29,442	31,423	1,582
MS Marketing	2,115	610	966	1,759
HS Musical	42			42
JH Athletics		3,258	2,478	780
Kindergarten Activity	200			200
General Activity Account	675	1,264	6,051	(4,112)
Clothes For Kids	70	500		570
Computers For Kids	56			56
Pr Book Club				-
Class of 2004	502		400	102
Class of 2005	2,696	670	816	2,550
Class of 2006	157	2,988	2,801	344
Class of 2007	570	640	24	1,186
Class of 2008		630		630
Totals - All Activity Funds	\$ 47,940	\$ 188,732	\$ 195,209	\$ 41,463

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Comparison of Taxes and Intergovernmental Revenues and Receipts**  
**For the Years Ended June 30, 2005, 2004, 2003, 2002**

Schedule 5

	Modified Accrual Basis of Accounting			
	2005	2004	2003	2002
<b>Local Sources:</b>				
Local Taxes:				
Property Taxes	\$ 3,064,999	\$ 3,178,156	\$ 2,751,441	\$ 2,571,794
Mobile Home Taxes	124	121	111	133
Surtaxes	207,990	193,149	216,483	212,893
Local Option Sales and Services Taxes	365,757	123,950		
	<u>3,638,870</u>	<u>3,495,376</u>	<u>2,968,035</u>	<u>2,784,820</u>
<b>State Sources:</b>				
State Foundation Aid	2,139,544	2,099,598	2,160,993	2,200,201
Foster Care State Aid	3,741			
School Improvement Technology Funding				19,607
Instructional Support State Aid	15,893	16,204	17,323	19,633
Beginning Teacher Induction	2,600	5,200	3,900	6,500
Evaluator Training Program			2,000	
Teachers Compensation Allocation	60,483	58,804	52,885	52,232
Educational Excellence Program:				
Phase I	59,186	62,009	66,051	66,051
Phase II	57,448	61,694	63,206	64,449
Phase III			15,705	36,830
Non-Public Transportation	45,202	57,540	22,303	48,382
Non-Public Textbook Aid	1,116	1,081	2,843	
Vocational Education Aid	8,473	6,113		6,766
Revenue in Lieu of Taxes - Military Credit	2,487	2,031	2,332	2,486
Iowa Early Intervention Block Grant	38,371	40,621	40,292	43,243
Lunch and Breakfast Program Claims	3,796	3,608	3,960	3,649
AEA Flow-Through	235,163	241,662	259,229	273,806
Other State Aid		429		20,032
	<u>2,673,503</u>	<u>2,656,594</u>	<u>2,713,022</u>	<u>2,863,867</u>
<b>Federal Sources:</b>				
Title I Grants to Local Educational Agencies	134,429	125,842	117,685	111,810
Class Size Reduction	44,088	46,452	49,087	31,381
Safe and Drug Free Schools and Communities -				
State Grants	6,138	4,360	4,158	2,972
Medical Assistance Program	23,791	166	16,210	
Innovative Education Program Strategies				
(Title V Program)	2,777	3,968	4,138	4,410
Grants for State Assessments & Related Activities -				
(Title VI A Program)	4,200	4,368	3,640	
Star Schools				14,100
Fund for the Improvement of Education	1,438	776	19,985	
Technology Literacy Challenge Fund Grants				26,892
National School Lunch Program	83,599	78,383	72,746	65,487
Schoolwide Positive Behavior Support Grant	3,134	6,248	8,850	
Goals 2000 - State Grants			2,325	36,000
Special Education - Grants to States	42,654	36,755	6,901	15,295
School Breakfast Program	9,387	8,007	6,900	9,012
Food Distribution	34,659	39,672	35,980	35,060
Vocational Education-Basic Grants to States	12,204	12,486	15,046	14,533
Eisenhower Professional Development Grant			2,436	1,967
Other			22	90
Comprehensive School Reform Grant	50,000	50,000		
	<u>452,498</u>	<u>417,483</u>	<u>366,109</u>	<u>369,009</u>
<b>Total</b>	<u>\$ 6,764,871</u>	<u>\$ 6,569,453</u>	<u>\$ 6,047,166</u>	<u>\$ 6,017,696</u>

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

**Schedule 6**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**REPORTABLE CONDITIONS:**

**II-A-05 Financial Accounting – Segregation of Duties**

- A. Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

Schedule 6 (Continued)

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**Part III: Other Findings Related to Statutory Reporting:**

- III-A-05      Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- III-B-05      Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- III-C-05      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-05      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-E-05      Business Transactions – Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Paul Miller, Employee's Spouse Owner of Whiskey Creek Log Homes	Contractor	\$ 18,770
John Muller, Employee's Spouse Owner of Muller Furniture	Contractor	\$ 24,046

These transactions may represent a conflict of interest and the District should contact legal council for determination.

- III-F-05      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-05      Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.
- III-H-05      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-05      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

Schedule 6 (Continued)

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**Part III: Other Findings Related to Statutory Reporting – (Continued):**

III-J-05

Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – We recommend that the District file the Certified Annual Report by September 15 as required by the State in future years.

Response – The District will take the steps necessary to ensure that the report is filed timely in the future.

Conclusion – Response accepted.







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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
South O'Brien Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance:**

As part of obtaining reasonable assurance about whether the South O'Brien Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered South O'Brien Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect South O'Brien Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-05.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management employees and citizens of South O'Brien Community School District and other parties to whom the South O'Brien Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South O'Brien Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Langemy, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
August 12, 2005